

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 20, 2021

12:33 p.m.

**MEMBERS PRESENT**

Representative Grier Hopkins, Chair  
Representative Sara Hannan, Vice Chair  
Representative Ivy Spohnholz  
Representative Harriet Drummond  
Representative Kevin McCabe  
Representative Mike Cronk

**MEMBERS ABSENT**

Representative Tom McKay

**COMMITTEE CALENDAR**

**HOUSE JOINT RESOLUTION NO. 13**

Urging the United States Congress to exempt cruise ships from certain provisions of the Passenger Vessel Services Act and other applicable provisions of federal law for the period during which Canadian ports are closed to cruise ships carrying more than 100 people; and urging the President of the United States not to fine or take actions against cruise ships sailing to the state.

- HEARD & HELD

**PRESENTATION: ALASKA MARINE HIGHWAY SYSTEM**

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 13

SHORT TITLE: URGE EXEMPTION FOR CRUISE SHIPS

SPONSOR(s): REPRESENTATIVE(s) ORTIZ

03/01/21	(H)	READ THE FIRST TIME - REFERRALS
03/01/21	(H)	TRA
03/20/21	(H)	TRA AT 12:30 AM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE DAN ORTIZ  
Legislator  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HJR 13 as prime sponsor.

PATTI MACKEY  
President and CEO  
Ketchikan Visitors Borough  
Ketchikan, Alaska

**POSITION STATEMENT:** Provided testimony during the meeting.

KATI CAPOZZI  
President and CEO  
Alaska Chamber of Commerce  
Anchorage, Alaska

**POSITION STATEMENT:** Provided testimony during the meeting.

SHANNON ADAMSON  
Masters, Mates, and Pilots Union  
Juneau, Alaska

**POSITION STATEMENT:** Provided testimony during the meeting.

ROB CARPENTER  
Deputy Commissioner  
Department of Transportation & Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint and answered questions during the meeting.

MATT MCLAREN  
Business Manager  
Alaska Marine Highway System  
Juneau, Alaska

**POSITION STATEMENT:** Presented a PowerPoint and answered questions during the meeting.

CAPTAIN JOHN FALVEY  
General Manager  
Alaska Marine Highway System  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the meeting.

#### **ACTION NARRATIVE**

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**CHAIR GRIER HOPKINS** called the House Transportation Standing Committee meeting to order at 12:33 p.m.

**HJR 13-URGE EXEMPTION FOR CRUISE SHIPS**

[12:35:08 PM](#)

CHAIR HOPKINS announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 13, "Urging the United States Congress to exempt cruise ships from certain provisions of the Passenger Vessel Services Act and other applicable provisions of federal law for the period during which Canadian ports are closed to cruise ships carrying more than 100 people; and urging the President of the United States not to fine or take actions against cruise ships sailing to the state."

[12:36:11 PM](#)

REPRESENTATIVE DAN ORTIZ shared on February 4, 2021 Canada's transport ministry announced it would prohibit large passenger vessels from transiting their waters until 2022. Under the Passenger Vessel Services Act (PVSA), large foreign vessels are required to stop in a large foreign port such as Canada at least once during their voyage. The announcement from Canada coupled with the PVSA requirement would prevent Alaska from receiving cruise ships throughout the entire 2021 season. This follows the 2020 season in which Alaska also saw no large cruise ship activity, he pointed out. The Alaska Visitors Industry, particularly cruise tourism, is the cornerstone of Southeast Alaska's economy, he stated. Prior to the pandemic, in 2019, Alaska had more than 2.2m visitors, over half of whom arrived via cruise ship. While many businesses were able to "hibernate" for 2020, the threat of such limited visitors in 2021 could do irreparable harm, he stated. The Congressional delegation has been hard at work to try to find a way to save the 2021 cruise ship season, he shared. He added Representative Don Young has brought forth the Alaska Tourism Recovery Act, which proposes a temporary workaround which would make round-trip voyages between Alaska and Washington a foreign voyage under US law. If passed, Representative Ortiz continued, HJR 13 would signal the support of the Alaska State Legislature and would urge Congress and President Joe Biden to take necessary actions to allow for cruise ships to visit Alaska ports.

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REPRESENTATIVE MCCABE asked if HJR 13 had an end date.

REPRESENTATIVE ORTIZ replied yes, and it coincided with the duration of Canada's cruise prohibition.

REPRESENTATIVE MCCABE asked if there would be opportunity to extend should Canada become less cooperative with their date.

REPRESENTATIVE ORTIZ replied he was not sure if it allowed for flexibility; in the event of continued prohibition there may need to be another resolution.

REPRESENTATIVE MCCABE said he supports HJR 13 in general, but is skeptical of allowing foreign vessels, which have less strict rules, point-to-point in the US. He expressed his hopes HJR 13 wouldn't undo 100 years of maritime law.

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REPRESENTATIVE HANNAN expressed appreciation for Representative McCabe's point and said it would not be the intent of HJR 13 to undo any work done by the Passenger Vessel Services Act or the Jones Act, which would have a ripple effect across the entire US economy. It was a resolution and therefore a more temporary solution, she pointed out. She mentioned it should be made clear HJR 13 was not to be extended in perpetuity and acknowledged US standards of health care on board the cruise ship vessels to make sure they are meeting health and safety standards.

REPRESENTATIVE ORTIZ answered as a resolution, HJR 13 had no authority to undo anything, and its extension would be a Congressional decision.

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REPRESENTATIVE CRONK expressed support for HJR 13 especially for Interior Alaska.

CHAIR HOPKINS agreed.

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PATTI MACKEY, shared Alaska has withstood more negative effects from COVID-19 than any other state in the US. Focusing on Ketchikan, Alaska, Ms. Mackey shared tourism brought in about \$263m annually, and 96% of visitors came to Alaska via cruise ship. The loss of passenger and crew member spending, along

with port fees and ancillary services purchased by the various cruise lines, took a devastating toll on the community in 2020 and created a huge loss in municipal revenues. Tourism jobs in Ketchikan numbered around 1350, she shared, with another 400 indirectly, resulting in about \$76m in labor income; and while the aid has been helpful in some instances, businesses wanted to get back to doing what they did best, she imparted. A temporary waiver or other workaround to resolve the restrictions on foreign-flagged ships is more than a cruise industry issue, she said, and is not the only answer to the challenges, but would have a direct [positive] impact on Alaskan families, she said.

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CHAIR HOPKINS opened public testimony on HJR 13.

[12:48:12 PM](#)

KATI CAPOZZI, President and CEO, Alaska Chamber of Commerce, testified in support of HJR 13. She shared the Chamber of Commerce was founded in 1953 and its mission is to advocate for a healthy business environment in Alaska. She shared the tourism industry needed immediate Congressional action to allow cruise ships to return to Alaska.

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SHANNON ADAMSON, Masters, Mates, and Pilots Union, put forth the state of Alaska owned vessels that met all Jones Act and PVSA requirements: the AMHS vessels currently tied up in Ketchikan could boost tourism and help communities. Putting the Colombia into service, she gave as an example, which could spend half days in Skagway, Ketchikan, and Juneau, just to name a few, could be offered as the way to see Juneau by way of one's own vehicle, she added. Mitigation measures were already in place on AMHS vessels, and it would be a way to boost tourism without affecting AMHS or DOT&PF budgets, she pointed out.

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CHAIR HOPKINS closed public testimony on HJR 13.

**PRESENTATION: Alaska Marine Highway System**

[12:52:36 PM](#)

CHAIR HOPKINS announced that the final order of business would be to finish the presentation begun 3/18/21 on the Alaska Marine Highway System.

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The committee took an at-ease from 12:53 p.m. to 12:56 p.m.

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ROB CARPENTER, Deputy Commissioner, Department of Transportation & Public Facilities, continued a discussion on the AMHS Reshaping Work Group (RWG) recommendations. In terms of improving reliability, the endeavor at Cascade Point (CP), 30 miles north of the end of the road in Juneau, would shorten the trip from Juneau to Haines. The DOT&PF was working with procurement and legal counsel to ensure proper process for proceeding with Goldbelt, the landowner. In terms of increasing revenue, Dynamic Pricing was implemented in October 2019.

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REPRESENTATIVE ORTIZ commented constituents were not happy with dynamic pricing, as the AMHS is not necessarily the same as an airline. The function of the AMHS and its purposes was too different than an airline to be able to make the comparison, he said.

MR. CARPENTER said he disagreed as there has been considerable pressure to increase revenue and the AMHS was trying to be more self-supportive.

REPRESENTATIVE ORTIZ maintained that from constituents' perspective, the impact of dynamic pricing on the runs from Bellingham to anywhere in Southeast Alaska when vehicles were included was such that passengers could no longer afford to pay. Similar taxes were not applied on highways during busy times, he added: the AMHS is a public transit system, and its affordability must be kept within reach, he stated.

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REPRESENTATIVE HANNAN asked about dynamic pricing's two different methodologies: in the first instance, she related, the closer to the sailing date the price went up, and in the second instance the higher the occupancy price the price went up. She asked why discounts couldn't be applied instead of only

increases. She pointed out that people using the AMHS for their military move may fill it up and it leaves those waiting to book their ticket at a big disadvantage and asked if numbers had been run to fill vessels by way of selling discounted tickets.

MR. CARPENTER said he personally agreed and had brought it to coworkers' attention. He said it was not "exactly easy" to implement, but it was being considered.

REPRESENTATIVE HANNAN asked that this issue be raised with Matt McLaren.

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MATT MCLAREN, Business Manager, Alaska Marine Highway System, replied at the time of dynamic pricing's implementation the possibility of discounting had not been analyzed. The AMHS had been assisted by the McDowell group's tariff study, he said, and full capabilities of the reservation system were not available at that time. That system was being improved and could be looked at presently, he stated.

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REPRESENTATIVE MCCABE said the AMHS could no longer be compared to highways, as the more driving the more was paid in gas and taxes. He said the comparison was impeding fixing AMHS problems.

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REPRESENTATIVE SPOHNHOLZ commented the same amount of motor fuel tax was paid no matter how many people were traveling, so it was a user fee, but surcharges such as toll roads were charged during peak hours. There is a way of doing it which takes into consideration capacity of the road and cost recovery, she stated.

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REPRESENTATIVE ORTIZ clarified he was speaking about public transit systems, of which the AMHS fit since highways were also for public use. Airlines were private, for-profit enterprises, he pointed out.

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MR. CARPENTER imparted there was a new dedicated planner position now included in the AMHS RWG. There would also be a federally funded new organizational "change management" expert position added, he stated. The person would act as liaison between the AMHS and the new board, he said. In terms of cost reduction, union contracts for MM&P and MEBA were in negotiations, and the IBU contract expired on June 30, 2022, he said. Lastly, the fast ferries' divestment would add to savings, he mentioned.

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REPRESENTATIVE MCCABE stated fast vehicle ferries were purchased for \$68m and sold for \$5.6m, so their "divestment" was a \$63m loss. The Malaspina is parked at a price of \$416K/year, he stated, and asked at what point the AMHS would cut losses.

MR. CARPENTER said the correct path for the Malaspina's disposal/divestiture/scuttling was still being determined.

REPRESENTATIVE MCCABE asked for a timeframe.

MR. CARPENTER replied an investment to remove hazardous materials would need to be made in the event of scuttling.

CHAIR HOPKINS expressed agreement with Representative McCabe's questioning of a more specific plan.

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REPRESENTATIVE CRONK asked what kind of interest there was in the Malaspina.

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CAPTAIN JOHN FALVEY, General Manager, Alaska Marine Highway System, said someone in the Midwest wanted to use it for housing for the homeless, but that scuttling was also being closely looked at.

REPRESENTATIVE CRONK said it was a waste of money, especially when looked at in terms of the payment of Personal Fund Dividends.

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REPRESENTATIVE HANNAN asked what the timeframe was for either of the two divestment mechanisms, selling or scuttling.

CAPT. FALVEY said the AMHS was actively working with the Environmental Protection Agency (EPA), and that he did not have a timeline for the process.

REPRESENTATIVE HANNAN expressed her desire to move from "actively looking" to "give me a timeline," and again asked for a window of time.

CAPT. FALVEY replied no more than one year.

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REPRESENTATIVE MCCABE asked what it would cost to clean out the vessel.

CAPT. FALVEY replied around \$500K.

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CHAIR HOPKINS asked when discussions with EPA regarding scuttling began.

CAPT. FALVEY replied three or four months ago.

CHAIR HOPKINS clarified so that should be three or four more months.

CAPT. FALVEY replied maybe sooner.

CHAIR HOPKINS said good, maybe by January 2022.

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MR. CARPENTER shared slide 9 on the AMHS's work with the Alaska State Legislature. In terms of strengthening governance, the RWG strongly recommended a reshaping of the Marine Transportation Advisory Board (MTAB), he stated, so that was being done via House Bill 134, which would give the board more "teeth," and likewise a more business- and operations-focus. House Bill 134 would also add marine business/vessel experience. In terms of stabilizing planning, the AMHS was "conceptually supportive" of forward funding, albeit difficult in this fiscal environment, he put forth.

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CHAIR HOPKINS said the House Transportation Standing Committee passed HB 63 in the past week, and hopefully that would mesh with the current priorities.

MR. CARPENTER shared work with the RWG, which, as the committee knew from HB 63 had as a goal short- and long-range operations planning, improving reliability, and reducing costs, fleet size/design and replacement strategy, and cost reduction, which could entail "anything from" alternative solutions/service providers to additional leveraging of road infrastructure. There was a longer-term evaluation that still needed to take place for the AMHS, he put forth.

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REPRESENTATIVE MCCABE asked about service providers.

MR. CARPENTER replied there could be a contracting service if the AMHS "gave up," or if there were a different solution than using ferries.

REPRESENTATIVE MCCABE said the AMHS already had contracts with Allen Marine and Goldbelt to provide some day ferry service and asked why a better way to subcontract day use ferries hadn't been sought before this point.

MR. CARPENTER replied union contracts prohibited contracting for certain routes; he said he believed there were just six. He expressed the new board may be able to better determine what was viable.

REPRESENTATIVE MCCABE expressed his desire for better frequency and more tailored, quicker service to some of the smaller ports.

CHAIR HOPKINS asked which ports were contractable.

MR. MCLAREN replied Hoonah, Pelican, Tenakee, Kake, Angoon, and one more.

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REPRESENTATIVE DRUMMOND said it was her understanding there was a contract in place between Allen Marine and Goldbelt to begin to provide service with smaller vessels to smaller ports, but that only one run was made before COVID-19. She then asked if

there was possibility of continuing similar contracting this season.

MR. CARPENTER replied if not in summer 2021, it was still on AMHS radar.

REPRESENTATIVE DRUMMOND replied this summer would be the time to do it, as Allen Marine was ready to serve when passengers returned en masse. She added it would still be a temporary fix, and she would really like to see service provided to the small communities which were able to be served without violating union contracts.

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REPRESENTATIVE HANNAN stated only Tenakee and Pelican, which were both on their way to other places, didn't have vehicle service.

MR. MCLAREN confirmed the only port that AMHS didn't carry vehicles to was Tenakee, but other ports were visited on that run.

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MR. CARPENTER put forth a "sample" plan forward, which the RWG had entitled "notional budget goals" and which entailed lowering the UGF budget by \$18m - \$22m over three to four years, fleet streamlining and/or modernization which would include TRV, crew quarters, and the gradual retiring of high-cost legacy ships. As far as the long-term, there was potential for another mainliner replacement vessel, he stated.

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REPRESENTATIVE ORTIZ asked how much UGF funding had been lowered for the AMHS from 2013-2014 until 2021.

MR. MCLAREN replied the biggest year for UGF was \$112m, and currently it's around \$50m, so about a \$62m, or 65%, reduction.

REPRESENTATIVE ORTIZ clarified the \$18m - \$22m reduction was on top of the just-stated 65% reduction.

MR. MCLAREN replied yes.

REPRESENTATIVE ORTIZ asked for an explanation of how the reduction supported the stated underlying themes of "value and importance of AMHS to coastal communities and the state as a whole" from the RWG's report, and how coastal communities' best interest was being kept in mind.

MR. CARPENTER reemphasized what was put forth was just a sample plan and was not being put forth as what should happen. He urged the committee to allow a walkthrough of the sample plan and stated the budget could still be adjusted.

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MR. MCLAREN shared slide 12, a chart listing each of the nine vessels in the fleet along with the year built, operating cost per week, and size of crew: Columbia, built 1973, operating cost per week \$476K, 63 crew members; Kennicott, 1998, \$420K, 53; Matanuska, 1963, \$343K, 49; Tustumena, 1969, \$259K, 38; Aurora, 1977, \$182K, 24; LeConte, 1974, \$161K, 24; Tazlina, 2019, \$133K, 21; Hubbard, 2019, \$133K, 21; Lituya, 2004, \$21K, 5. He also pointed out the estimated weekly operating costs per week and crew size of the Mainliner Replacement Vessel (\$270K; 46), TRV (\$245K; 35), Tazlina with crew quarters (\$146K; 24), and Hubbard with crew quarters (\$146K; 24).

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REPRESENTATIVE ORTIZ asked if, with crew quarters being added to the Tazlina and the Hubbard, operating costs currently at \$133K per week would go up, and if the costs included housing for crew.

MR. MCLAREN replied yes; the cost savings came in because Aurora and LeConte could potentially be replaced, and the addition of crew quarters would save money.

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CHAIR HOPKINS asked how DOT&PF was looking at utilizing rescue package funds and CARES Act funds to make capital improvements.

MR. CARPENTER clarified Federal Transport Authority money did not have a capital aspect to it for operational costs; Federal highway funds did; and there had been no proposal yet on intent of money. In the long-term plan, investment decisions would be addressed, he put forth.

CHAIR HOPKINS said so with passage of HB 63.

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REPRESENTATIVE SPOHNHOLZ asked if any renewable energy technology could be utilized to cut down on fuel costs and help reduce the carbon footprint, especially with the Biden administration making transportation a priority.

CAPT. FALVEY replied green operations were becoming more prevalent, and electric batteries were under consideration for shorter runs, but equipment would need to be refit to the point of almost needing a new ship except for the Lituya. Dual-fuel engines such as L&G were under consideration as well depending on the supply chain into Alaska, he put forth.

REPRESENTATIVE SPOHNHOLZ asked for more information about Washington state electrifying ferries.

CAPT. FALVEY replied they were for short runs and were much more amenable to charging.

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REPRESENTATIVE ORTIZ asked if the technology was not even there in terms of using batteries to power larger vessels.

CAPT. FALVEY replied yes, when they needed to be recharged for longer routes the technology was not there yet.

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REPRESENTATIVE MCCABE asked if they were diesel-electric or if it were solely diesel.

CAPT. FALVEY replied specifics would depend on if the TRV was SOLAS or non-SOLAS, diesel-electric may be required.

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MR. MCLAREN clarified the chart looked specifically at operating costs. But the big difference in whether the Tazlina and Hubbard were able to operate or not was also the capacity size, as these were much bigger in terms of passengers (290 passengers for the Tazlina, whereas the Aurora holds 250, e.g.) and cars. With the bigger vessels there was more opportunity to generate revenue as well as save costs.

MR. MCLAREN shared on slide 13 a hypothetical timeline for AMHS vessel replacement. The TRV design & build process was still about six months out, he stated, with the construction about four years out from that point. An amount of \$275m was set aside for the project, depending on if it was SOLAS or non-SOLAS, he imparted. The Alaska Class Ferry crew quarter design & bid process was at 90% to 95% completion, and if done with federal money, a shipyard in which to build the crew quarters would need to be located. As the Tazlina and Hubbard were completed, the LeConte and Aurora could potentially be retired, he stated. The Colombia pitch propellor project was in the works, which would enable the Matanuska to retire, he shared. The Colombia was the most expensive ship to operate, he shared. A mainliner replacement could be looked at for that run, like the TRV to save design costs, also a four-year timeline, rough estimate \$300m, maybe less, he shared.

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REPRESENTATIVE HANNAN asked for real time estimates, and from where the authority came.

MR. CARPENTER said everything was still being evaluated, and it was up to Governor Dunleavy.

REPRESENTATIVE HANNAN said CP would only be seasonally available, so we were two years out from having it as a point, and the vessels aren't running.

MR. CARPENTER said CP was out two years at best with 2021 construction season being out.

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REPRESENTATIVE ORTIZ asked when the timeline on the TRV would start.

MR. CARPENTER replied construction could start as early as fall 2021, and then there was a 15-month buildout.

REPRESENTATIVE ORTIZ clarified "if [they] had the 'go'" was the appropriation.

MR. CARPENTER replied no, and anyway the governor had the final answer.

REPRESENTATIVE ORTIZ again looked to clarify if the timeline put forth by the DOT&PF was from today's date or another point.

MR. CARPENTER replied it was a hypothetical timeline.

MR. MCLAREN said even if everything were "green lit today" it would still be a bit of a process. Approval process for federal funds must be undergone, a shipyard must be found, and it must be determined to do projects concurrently or one at a time. He added six to nine months may be a safe estimate for Alaska Class Ferries.

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REPRESENTATIVE SPOHNHOLZ asked about using the same design for the mainliner replacement vessel as the TRV, and how much design cost.

MR. MCLAREN replied for mainliners, from scratch, the estimate was about \$10m for design, plus "all the detailed design after that."

REPRESENTATIVE SPOHNHOLZ imparted technology was changing fast, and design may be 65-80% cheaper in the next decade, so waiting two years and saving money in fuel output may be a prudent long-term savings goal.

MR. MCLAREN replied there were many advantages of building a ship that is more cost-efficient to run, and design costs may be made up in operating and even construction savings.

[2:14:32 PM](#)

REPRESENTATIVE DRUMMOND asked if there was a road in CP two years, if a terminal would be involved, and what was the cost.

MR. CARPENTER replied the road already existed at the end of Echo Cove and there was an extension in place owned by Goldbelt where a terminal "of some sort" would be built for the AMHS.

REPRESENTATIVE DRUMMOND asked what the completed road and terminal, that would allow the Tazlina and Hubbard to run without crew quarters, would be.

MR. CARPENTER replied \$20m depending what was agreed upon with Goldbelt.

REPRESENTATIVE DRUMMOND clarified that was different than the original road design which went out significantly further north, and if so, if that project had been abandoned.

MR. CARPENTER replied yes, the Juneau Access Project from Echo Cove almost to Skagway, was different, and yes, that project was shelved for now.

REPRESENTATIVE DRUMMOND asked if the Hubbard had run any routes, and if would it be out of commission during crew quarter rebuild.

MR. CARPENTER replied both the Hubbard and Tazlina have not sailed, may be able to provide backup service contingent on Certificate(s) of Inspection (COI).

REPRESENTATIVE DRUMMOND confirmed the vessels during crew quarter rebuild would be out of commission.

MR. CARPENTER replied yes, out of commission.

[2:18:43 PM](#)

REPRESENTATIVE MCCABE asked if CP were completed for \$20m, crew quarters need not be put into Tazlina and Hubbard nor the vessels taken out of service. Taking the vessels out of service would be a loss of 16 months of revenue, he pointed out.

MR. CARPENTER replied CP and crew quarters were not mutually exclusive options; CP was needed to leverage the road system, he stated. Alaska Class Ferries could run out of Auke Bay or CP to other ports, he added.

REPRESENTATIVE MCCABE asked if it would be better to do crew quarters on one boat for CP and leave the other as it was as the day boat and have a backup with crew quarters.

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The committee took an at-ease from 2:21 p.m. to 2:22 p.m.

[2:22:28 PM](#)

REPRESENTATIVE ORTIZ asked if the use of CP had seasonal limitations.



MR. CARPENTER replied unless there were a sizable, and thus costly, breakwater, then yes.

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REPRESENTATIVE SPOHNHOLZ asked if road maintenance had been factored into the \$20m capital cost.

MR. CARPENTER replied \$20m was a rough estimate for terminal buildout; there was still a lot being negotiated. The improvements that needed to be made were not on Goldbelt's property, he added.

REPRESENTATIVE SPOHNHOLZ clarified access to the property would need to be given by Goldbelt.

MR. CARPENTER replied yes, Goldbelt would provide access to the terminal.

REPRESENTATIVE SPOHNHOLZ asked if it would be a new dock, separate from the Kensington Mine access dock.

MR. CARPENTER replied yes it was new; that it would need to be much bigger for AMHS ships.

REPRESENTATIVE SPOHNHOLZ asked if Goldbelt would receive payment for use of the road.

MR. CARPENTER replied a lot of details needed to be worked out; it may be leased, but the idea is there is a staging area for folks who had bought tickets in Auke Bay.

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MR. MCLAREN shared a list of each ship in the current fleet and year built. He shared "legacy vessels" that were headed toward retirement: MV Malaspina - proposed sale as soon as possible, MV LeConte - proposed sale 2022, MV Aurora - proposed sale 2022, MV Matanuska - proposed sale 2023, MV Tustumena - proposed sale 2025, and MV Columbia - proposed sale 2028. He shared projections for a 2029 fleet if things ran smoothly: TRV, estimated 2025, mainliner replacement vessel - estimated 2028, Kennicott, Lituya, Hubbard and Tazlina.

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REPRESENTATIVE ORTIZ asked if it was correct that having a more flexible and usable fleet also spoke to the benefit of adding crew quarters to the Tazlina and Hubbard.

MR. MCLAREN replied that was correct.

REPRESENTATIVE ORTIZ asked for a quick summary of what it meant to make a vessel SOLAS and what it meant in terms of flexibility.

MR. MCLAREN replied for the TRV \$275m was estimated for the current size SOLAS (Safety of Life at Sea), \$235m non-SOLAS. It was an International standard for ship evacuation, needed for Prince Rupert Sound.

REPRESENTATIVE ORTIZ asked if there were added costs for upkeep/maintenance costs regarding SOLAS or non-SOLAS.

MR. MCLAREN replied yes, SOLAS vessels ran about \$300K more than normal COI requirements.

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REPRESENTATIVE MCCABE clarified Tazlina, and Hubbard retrofitted for crew quarters could only operate in Southeast, not cross-Gulf.

MR. MCLAREN replied they would also be able to go in Prince William Sound (PWS) but not in the open ocean; only TRV and Kennicott.

[2:33:13 PM](#)

REPRESENTATIVE HANNAN asked if Yakutat-PWS would need SOLAS.

MR. MCLAREN replied it would depend on the design of the hull and whether that could handle the open ocean.

REPRESENTATIVE HANNAN asked whether the TRV would be Gulf-capable.

MR. MCLAREN replied yes.

[2:34:32 PM](#)

REPRESENTATIVE DRUMMOND asked what mainliner replacements were capable of and whether it was cross-Gulf capable, and which of the fleet were mainliners.

MR. MCLAREN replied the mainliner replacement vessel could still be designed as to what was needed, and it was not needed to be cross-Gulf but could be made SOLAS if need be. It would be made to replace the Colombia or the Matanuska, he added.

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REPRESENTATIVE MCCABE clarified cross Gulf also included Dutch Harbor.

MR. MCLAREN replied cross-Gulf referred to the Juneau-Yakutat-Whittier run; Homer-Kodiak and out the chain was not considered cross-Gulf, he stated, but was just called the Southwest Chain Run.

[2:36:33 PM](#)

MR. CARPENTER showed slide 15 on revenue generated for the AMHS; state funding received; and the fare box recovery rate, projected to 2029. He said the graph notional budget goals and a budget reduction, showed in FY 22, \$100m-plus budget with \$50m revenue, \$50m state funding, "45%-ish" fare box recovery; intent would be, with the modernized fleet, in theory the budget could drop.

[2:38:29 PM](#)

REPRESENTATIVE MCCABE asked if Allen Marine and Goldbelt had been put into the mix to see what the recovery would be, or if the chart was only for AMHS ferries.

MR. CARPENTER replied the chart was just AMHS and fare box recovery, but the new board would attempt to improve the AMHS yet again.

[2:39:39 PM](#)

REPRESENTATIVE HANNAN asked about the fare box recovery rate from the Ketchikan-Hollis route and how much had been made with that route excluded.

MR. MCLAREN said he would follow up with numbers.

[2:42:29 PM](#)

MR. MCLAREN went over slide 16 on vessel capital costs, showing the current fleet costs over the past ten years and the projected costs for the next ten years. The annual overhaul cost to keep vessels in operation was \$16.6m, he shared. Over the last 10 years \$400m has been spent, he shared. Projected capital to be spent to keep current fleet operational was \$770.9m.

[2:45:19 PM](#)

REPRESENTATIVE HANNAN asked about the difference between the cost of capital expenses between Tazlina and Hubbard because the same side-door improvements had been done on both.

MR. MCLAREN replied neither included the side doors; both were included in the projected capital spent.

[2:47:23 PM](#)

CHAIR HOPKINS asked if the projected capital would drop from \$110m to a more nominal expenditure once the Tustumena became the TRV.

MR. MCLAREN replied yes.

[2:47:52 PM](#)

REPRESENTATIVE ORTIZ asked what accounted for \$215K and Hubbard \$59K.

MR. MCLAREN replied the COI had not yet been done on the Hubbard.

[2:48:32 PM](#)

MR. CARPENTER showed, on a total net present value basis, cumulative costs of continuing with the current fleet investment on both the current fleet, represented by the red line on the graph, and the sample plan, represented by the green line on the graph. Cash flow in the sample plan, while higher in the earlier years, over a certain period would drop significantly once the investment had been made.

CHAIR HOPKINS asked if the cost of keeping ships docked had been included.

MR. MCLAREN replied a little bit was built in, but it was not in the plan for them to be stored for years and incur great costs.

[2:51:18 PM](#)

REPRESENTATIVE MCCABE asked if any Federal CARES Act money was going toward the AMHS.

MR. CARPENTER replied he had heard there was a certain amount, but that it wasn't expected to make a big impact.

[2:53:43 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:53 p.m.